

Message Text

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DRAFTED BY TRSY/OS/MFIELD/IMW
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EB/IFD/OMA:TFORBORD
ARA/AND:TSONANDRES
-----151238Z 008852 /41
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FM SECSTATE WASHDC
TO AMEMBASSY CARACAS

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E.O. 11652:NA

TAGS:EFIN

SUBJ: PROPOSED RECIPROCAL EXEMPTION OF INTERNATIONAL
AIRLINES

1. WE UNDERSTAND THAT VENEZUELAN MFA HAS PREPARED A DRAFT
AGREEMENT TO IMPLEMENT RECIPROCAL INCOME TAX EXEMPTION OF
INTERNATIONAL AIRLINES, AS AUTHORIZED BY VENEZUELAN
DECREE 330 OF AUGUST 13, 1974. U.S. LAW ALSO PROVIDES
FOR EXEMPTION FROM INCOME TAX OF AIRLINES OF FOREIGN
COMPANIES ON THE BASIS OF RECIPROCITY, AND WE WOULD LIKE
TO TAKE ADVANTAGE OF VENEZUELA'S WILLINGNESS TO PROVIDE
SUCH AN EXEMPTION. AFFECTED U.S. AIRLINES ARE PAN AM
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AND DELTA, WHO HAVE FURNISHED US A COPY OF THE VENEZUELAN
DRAFT.

2. U.S. LAW REQUIRES THAT THE OTHER COUNTRY EXEMPT U.S.
CITIZENS AS WELL AS CORPORATIONS AND THAT THE FOREIGN
AIRCRAFT BE REGISTERED UNDER THE LAWS OF THE OTHER COUNTRY.
WE HAVE A STANDARDIZED EXCHANGE OF NOTES TO IMPLEMENT
RECIPROCAL EXEMPTIONS THE TEXT OF WHICH FOLLOWS. THIS

TEXT WAS AGREED TO WITH CHILE IN 1975 (TIAS 8252). WOULD APPRECIATE EMBASSY'S TRANSMITTING U.S. DRAFT TEXT TO MFA AND INQUIRING WHETHER THEY CAN ACCEPT IT.

FROM THE U.S. AMBASSADOR TO THE FOREIGN MINISTER OF VENEZUELA:

EXCELLENCY:

I HAVE THE HONOR TO REFER TO RECENT CONVERSATIONS BETWEEN REPRESENTATIVES OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND REPRESENTATIVES OF THE GOVERNMENT OF THE REPUBLIC OF VENEZUELA RELATING TO THE POSSIBILITY OF CONCLUDING AN AGREEMENT BETWEEN THE TWO GOVERNMENTS WITH A VIEW TO GRANTING, ON A RECIPROCAL BASIS, RELIEF FROM DOUBLE TAXATION ON EARNINGS DERIVED FROM THE OPERATION OF AIRCRAFT. THE GOVERNMENT OF THE UNITED STATES OF AMERICA AGREES AS FOLLOWS:

1. THE GOVERNMENT OF THE UNITED STATES OF AMERICA, IN ACCORDANCE WITH SECTIONS 872(B) AND 883(A) OF ITS INTERNAL REVENUE CODE OF 1954, SHALL, ON THE BASIS OF EQUIVALENT EXEMPTIONS GRANTED BY THE GOVERNMENT OF THE REPUBLIC OF VENEZUELA TO CITIZENS OF THE UNITED STATES OF AMERICA AND TO CORPORATIONS ORGANIZED IN THE UNITED STATES OF AMERICA EXCLUDE FROM GROSS INCOME AND EXEMPT FROM INCOME TAX ALL EARNINGS DERIVED

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A. BY A CORPORATION ORGANIZED IN THE REPUBLIC OF VENEZUELA, OR

B. BY AN INDIVIDUAL WHO IS

(I) A CITIZEN OF THE REPUBLIC OF VENEZUELA AND

(II) A NONRESIDENT ALIEN AS TO THE UNITED STATES OF AMERICA

FROM THE OPERATION OF AIRCRAFT REGISTERED UNDER THE LAWS OF THE REPUBLIC OF VENEZUELA, INCLUDING INCOME FROM THE INCIDENTAL LEASE OF AIRCRAFT OR CONTAINERS.

2. THIS AGREEMENT SHALL BE APPLICABLE WITH RESPECT TO TAXABLE YEARS BEGINNING ON OR AFTER THE FIRST DAY OF JANUARY 1977.

3. EITHER OF THE TWO GOVERNMENTS MAY TERMINATE THIS

AGREEMENT BY GIVING THE OTHER GOVERNMENT SIX MONTHS'

PRIOR NOTICE 4F TERMINATION IN WRITING AND, IN SUCH
EVENT, THE AGREEMENT SHALL CEASE TO BE EFFECTIVE FOR
THE TAXABLE YEARS BEGINNING ON OR AFTER THE FIRST DAY
OF JANUARY NEXT FOLLOWING THE EXPIRATION OF THE SIX-
MONTH PERIOD.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA WILL
CONSIDER THIS NOTE, TOGETHER WITH YOUR EXCELLENCY'S
NOTE OF REPLY CONFIRMING THAT THE GOVERNMENT OF THE
REPUBLIC OF VENEZUELA AGREES TO TERMS CORRESPONDING
TO THOSE OUTLINED ABOVE, AS CONSTITUTING THE
AGREEMENT BETWEEN THE TWO GOVERNMENTS.

ACCEPT, EXCELLENCY, THE ASSURANCES OF MY HIGHEST
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MOST DISTINGUISHED CONSIDERATION.

THE NOTE OF THE FOREIGN MINISTER IN REPLY WOULD
REPEAT THE CONDITIONS FOR RECIPROCAL EXEMPTION AND
AFFIRM THAT VENEZUELA AGREES TO COMPLY WITH THEM. CHRISTOPHER

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